



North Herts District Council Audit Committee Progress Report 12 June 2017

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 19 May 2017;
- Note the implementation status of high priority recommendations.

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1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2017/18 as at 19 May 2017.
 - b) Implementation status of previously agreed high priority audit recommendations and request to agree removal of completed actions.
 - c) An update on performance management information as at 19 May 2017.

Background

- 1.2 The 2017/18 Annual Audit Plan was approved by the Finance, Audit & Risk Committee (the Committee) on 22 March 2017.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first report giving feedback on the delivery of the 2017/18 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 19 May 2017, 11% of the 2017/18 Audit Plan days had been delivered. Appendix A provides a status update on each individual project within the audit plan.
- 2.2 The following 2016/17 final reports and assignments have been issued since 9 March (cut-off date for the SIAS Update Report for 22 March 2017 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Council Tax	March 2017	Substantial	1 Merits Attention
Main Accounting	March 2017	Substantial	2 Merits Attention

Benefits & Rent Allowances	March 2017	Substantial	2 Medium 1 Merits attention
Asset Management	March 2017	Moderate	3 Medium 4 Merits Attention
NDR	May 2017	Full	No recommendations made
Payroll	May 2017	Substantial	3 Medium 1 Merits Attention
Development Control	March 2017	Substantial	2 Medium
Homelessness	March 2017	Substantial	2 Medium 1 Merits Attention
Area Committee Grants	March 2017	Substantial	1 High 1 Medium 5 Merits Attention
Risk Management	March 2017	Substantial	2 Merits Attention
Treasury Management	March 2017	Substantial	3 Merits Attention
Contract Management	May 2017	Substantial	1 Medium 2 Merits Attention
IT Asset Management	March 2017	Substantial	1 Medium 1 Merits Attention

2.3 Details on the status of all audits in this year's plan can be found in Appendix A.

Medium Priority Recommendations

2.4 The table below provides a summary of the medium priority recommendations that were made in the period:

Audit	Summary of medium priority recommendations
Benefits & Rent Allowances	<ul style="list-style-type: none"> • Benefits Assessors should be reminded of the importance of key actions when performing assessments of benefits cases • Checks and reconciliations should be performed to ensure that Single Claimant Discounts are (a) in place and (b) removed as required.
Asset Management	<ul style="list-style-type: none"> • Implementation of a review procedure to confirm property database updates are implemented in a timely fashion. • Reconciliation between the expected GVAS rental income and budgeted rental income on the Integra ledger system. • Annual request is sent to budget holders asking them to confirm the status of plant and equipment for which they are responsible.

Payroll	<ul style="list-style-type: none"> • All line managers are reminded of the urgency in raising leaver forms to ensure final salary payments are accurate. • Overpayments be reported to the Council and employee immediately. • Managers are reminded that it is their responsibility to ensure all expense claims receipts are appropriate and attached. • Employees be reminded that they should select the correct expense description code and attach receipts. • Investigate system issue around attachment of receipts
Development Control	<ul style="list-style-type: none"> • Update of Planning Enforcement policy and Enforcement Complaints procedure • Website be reviewed and updated as appropriate. • Staff should be reminded of processes around dealing with complainants • Review of process for recording and monitoring enforcement cases as new system is implemented .
Homelessness	<ul style="list-style-type: none"> • Control check for decision making in complex and high risk homelessness cases. • Formal documentation of interviews with applicants
Area Committee Grants	<ul style="list-style-type: none"> • More formal and robust approach to monitoring returns and recording evidence of expenditure for higher value grants • Consider cost effectiveness of raising a sundry debtor invoice for recovery of unused funds
Contract Management	<ul style="list-style-type: none"> • Variations to the scope of a contract be confirmed to the contractor in writing
IT Asset Management	<ul style="list-style-type: none"> • Development of an IT Asset Management Policy to cover various matters.

High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 2.6 The standard template schedule attached at Appendix B shows the implementation status of previously agreed high priority audit recommendations.

- 2.7 Appendix B also contains the following additional high priority recommendation which was made in the period 9 March to 19 May 2017.
- Payment requisitions for grants should be authorised in line with the Authorised Signatory List with the Communities Manager, or an alternative officer with the appropriate financial delegation for approving grant payments over £1,000.
(Area Committee Grants Audit)

Performance Management

Reporting of Audit Plan Delivery Progress

- 2.8 To help the Committee assess the current situation in terms of progress against the projects in the audit plan we have provided an overall progress update in the table below. In addition, we have agreed formal start dates with management and have allocated resources accordingly; details can be found in Appendix C. This is designed to facilitate a smoother level of audit plan delivery throughout the year.

Completed - Draft or Final report has been issued (2)	
Confidence level in completion of this work – Full	
Review of FAR	Head of Internal Audit Opinion 2016/17

Fieldwork currently being carried out or in Quality Review (2)	
Confidence level in completion of this work – Full	
HTH Operation	SOCA Fraud Checklist

Scope and Start date agreed with Management - preliminary work has begun (2)	
Confidence level in completion of this work – Good – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries.	
Office Accommodation Project	Member Training

Formal start dates not yet agreed (26)	
Confidence level in completion of this work – Moderate – resources have been allocated by SIAS but dates have not yet been planned in diaries; generally these audits are more complex and will need good engagement with management to ensure delivery	
Audit	Status Update
New Integra System Implementation Consultancy	General Ledger
Debtors	Creditors
Treasury Management	Council Tax
NDR	Benefits & Rent Allowances

Payroll	King George V Playing Fields
Tree Strategy & Management	Taxi Licensing
Income Generation	Commercialisation / Council Company
Paperless Committee System	Telephony System Post implementation review
NHCL Refurbishment	Waste Contract – New Arrangements Progress
Northgate Contracts	Cyber Risk
Asset Management System	DFG Capital Grant Certification
Joint Review 1 (subject to be determined by SIAS Board)	Joint Review 2 (subject to be determined by SIAS Board)
Business Improvement Districts	Outbound New Mail System

Deferred (0)	

Summary – 19 May 2017		
Status	No of Audits at this Stage	% of Total Audits (32)
Draft / Final	2	6%
Currently in Progress	2	6%
Start Date Agreed	2	6%
Yet to be planned	28	82%
Deferred	0	0%

2.9 Annual performance indicators and associated targets were approved by the SIAS Board in March 2015.

2.10 As at 19 May 2017, actual performance for North Herts against the targets that can be monitored in year was as shown in the table below.

Performance Indicator	Annual Target	Profiled Target to 19 May 2017	Actual to 19 May 2017
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	12%	11%

2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	6%	6%
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (1 questionnaire sent and returned)
4. Number of High Priority Audit Recommendations agreed	95%	N/A	100% (1 recommendation made and accepted)

2.11 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2016/17 Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the financial year.
- **7. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 19 MAY 2017

2017/18 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems					90			
Main Accounting System						Yes		Allocated
Benefits & Rent Allowances						Yes		Allocated
Council Tax						Yes		Allocated
Creditors						Yes		Allocated
Debtors						Yes		Allocated
Asset Management						Yes		Allocated
Non Domestic Rates						Yes		Allocated
Payroll						Yes		Allocated
Treasury Management						Yes		Allocated
Operational Audits								
Business Improvement Districts					10	Yes		Allocated
Office Accommodation Project					12	Yes	1	In Planning
HTH Operation					12	Yes	8.5	In Fieldwork
Tree Strategy and Management					12	Yes	0.5	In Planning
Taxi Licensing					12	Yes		Allocated
Income Generation					15	Yes	0.5	In Planning
Commercialisation / Council Company					12	Yes		Allocated
Paperless Committee System					10	Yes		Allocated
Telephony System – Post Implementation Review					10	Yes		Allocated
Outbound Mail – New System					10	Yes		Allocated
Member Training					10	Yes	1	In Planning

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 19 MAY 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Procurement								
NHLC Refurbishment					12	Yes	Allocated	
Waste Contract – Progress of New Arrangements					10	Yes	Allocated	
Northgate Contracts					12	Yes	Allocated	
Serious and Organised Crime Fraud Checklist					10	Yes	3 In Fieldwork	
Joint Reviews								
Shared Learning					5	NYA	1 In Progress	
Joint Reviews – tbd by SIAS Board					5	NYA	NYA	
IT Audits								
Cyber Risks					10	Yes	Allocated	
Asset Management System					10	Yes	Allocated	
Anti-Fraud and Governance								
Internal Control Issues identified by SAFS					5	N/A	NYA	
Contingency & Other								
Contingency & Ad Hoc Activity					5	N/A	N/A	
Election Support					2	NYA	NYA	
Review of FAR					3	Yes	2.5 Draft Report Issued	
DFG Capital Grant Certification					2	Yes	Allocated	
King George V Playing Fields					1	Yes	Allocated	
Strategic Support								
Head of Internal Audit Opinion					5	Yes	5 Complete	

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 19 MAY 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
2016/17								
Audit Committee					12	N/A	0.5	On-going
Client meetings					10	N/A		On-going
External Audit Liaison					1	N/A	0.5	On-going
Progress Monitoring					10	N/A	2	On-going
SIAS Development					5	N/A	5	On-going
2018/19 Audit Planning					10	N/A		Not yet started
16/17 Projects Requiring Completion								
Corporate Project Management					1.5	Yes	1.5	Draft Report Issued
Payroll	Substantial	0	1	2		Yes		Final Report Issued
Contract Management	Substantial	0	3	1		Yes		Final Report Issued
NDR	Full	0	0	0		Yes		Final Report Issued
Hitchin Town Hall Project					11	Yes	1	Terms of Reference Issued
Careline Operation					12.5	Yes	6	In Fieldwork
Appraisal Process					6.5	Yes	0.5	Terms of Reference Issued
Green Space Strategy					4	Yes	0.5	In Fieldwork
Use of Consultants					3.5	Yes	3.0	Quality Review
Joint Review – Local Authority Trading					0.5	Yes		In Fieldwork
Joint Review - PREVENT					0.5	Yes		In Fieldwork
Total - North Herts D.C.		0	4	3	400		43.5	

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment May 2017	Status of Progress
1.	Waste Contract August 2016	As part of the contract renewal process, formal requirements regarding the quality of performance data provided by the contractor should be included in the terms and conditions of the contract. This should include mechanisms by which the Council can both directly access the data and require the contractor to undertake (either directly or commissioned by the Council) data quality audits should these be	The upgrade to the waste management IT software is expected to be in place by mid-2016. This will give officers direct access to the system.	Service Manager (Waste and Recycling)	July 2016 Revised date 29-Sep-2017	Service Manager (Waste and Recycling) March 2017 – the domestic collections are being managed through the new IT system with officers having full access. The system is being set up for trade waste collections, which are anticipated to go live by June 2017. An upgrade to the corporate financial system Integra means full set up of chargeable services is on hold indefinitely, with a review required once the Integra upgrade is complete and the new contract is awarded in late 2017.	In progress	Carry forward to September FAR

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment May 2017	Status of Progress
		deemed necessary.	Greater integration with the NHDC customer service centre and website will be possible with the new system and these options will be explored to reduce the risk of data transfer errors in relation to contacts reported by the public. This will be subject to cost but can be considered further for the implementation of the new contract, alongside decisions regarding the management of customer	Service Manager (Waste and Recycling), Comms Manager, Customer Services Manager.	April 2017 Revised date 29-Sep-2017	March 2017 – Officers now have full system access and a series of reports are in development. Ad hoc variation orders are being processed using Integra for greater transparency. The new contract specification is in draft, which includes data access and reporting requirements. Project Board decisions have resulted in a specification to include customer service provision, therefore no work will be undertaken to improve website and current system integration in advance of the new contract.	In progress	Carry forward to September FAR

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment May 2017	Status of Progress
			contacts.			<p>Dec 2016 – IT system up and running for domestic collections, implementation for trade is delayed due to staff vacancies.</p> <p>August 2016 - IT system currently in testing phase. Anticipated to go live for domestic collections and street cleansing by 1st October 2016</p> <p>Dec 2016 – New contract client team discussions and IT approach likely to begin in early 2017</p> <p>August 2016 - Initial meetings for project initiation set up, however is now largely dependent on the structure of the</p>		

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment May 2017	Status of Progress
						new shared service client team, which will not be decided until later in 2017. This is therefore unlikely to be completed on time.		
2.	Waste Contract August 2016	Officers are aware of the weaknesses in the current performance management regime and given that the existing contract is due for renewal and that service delivery is adequate, we do not recommend that any action is now taken to enforce the performance management regime for the existing contract, as the effort required is unlikely to yield any	Evidence exists that both parties agreed to implement the system on 2 nd September 2002. It is understood that the regime was in place for approximately 5 years but no data exists for this period. No officers from the current management team were present at this time and the regime in place	Service Manager (Waste and Recycling)	Development of PMR specification for new contract due September 2016 Revised date 31-Aug-2018	Service Manager (Waste and Recycling) 09-May-2017 The PMR is currently being finalised due for publishing alongside the ITT in early June 2017. Upon contract award, mechanisms for monitoring the requirements of the new PMR will be developed within the IT systems. The PMR will begin to be used after a short bedding in period, likely to be August 2018.	In progress	Carry forward to Sept FAR

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment May 2017	Status of Progress
		<p>substantial benefits prior to the contract expiring.</p> <p>However, the Council should ensure that it factors its experience with the current contract into the process for developing performance management on the new contract. This should include:</p> <ul style="list-style-type: none"> • investigating and understanding why it was not implemented for the current contract • specification of a detailed performance management 	<p>was not sufficient to effectively monitor performance after service changes and contract extension in 2007. Efforts to review the matrix in 2011/12 failed to reach agreement and was resource intensive due to the lack of access to and reporting from a suitable waste management software system.</p> <p>It is anticipated that the upgraded IT system will provide sufficient reporting to inform a new PMR system for</p>			<p>March 2017 - Negotiations are ongoing with EHC regarding the approach to performance management in the new contract specification. Agreement is required by March 2017.</p> <p>Dec 2016 – Discussions ongoing, PMR specification due to be completed by January 2017</p> <p>August 2016 - The specification of the PMR is on-going and examples of other Council systems is being considered. Negotiations are now also required with EHC due to the agreement to progress</p>		

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		<p>regime which is formally agreed by all partners at the commencement of the new contract; and</p> <ul style="list-style-type: none"> Monitoring the implementation of the new regime to ensure it is being applied rigorously from the start of the new contract. 	the new contract.			with the shared service. Consultants have been commissioned to assist with a critical friend analysis of final documents.		
3.	Data Protection and Freedom of Information December 2016	We recommend that the practice of auto-forwarding of emails is stopped as a priority before there is a breach of the Data Protection Act. It is noted that this is covered within the DP Training.	This has been raised with the Chief Executive and agreed that this will also be on the Political Liaison Board agenda for the January 2017 meeting for	Head of Revs, Benefits & IT	1 April 2017	Head of Revs, Bens & IT / ICT Manager 16-May-2017 Officers have been in touch with Members both via MIS and then at the request of the Executive Member, individually. Because	In progress	Carry forward to Sept FAR

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment May 2017	Status of Progress
		All Officers and Elected Members have signed to agree the IT Information Security Policy, which at para 9 - Email Systems states: "Never auto forward emails to a lower classification domain (e.g. public internet)".	Senior Members to consider this point and agree an action.			<p>the Executive Member wanted officers to consult with each Member individually to come to a solution that would suit each one, officers have delayed turning off auto-forwarding until early June 2017. So far, many Members have reacted to the request in a positive way.</p> <p>March 2017 – seeking further information on the approach of other authorities in Hertfordshire prior to further consideration by PLB on 20 March 2017.</p>		
4.	Data Protection and Freedom of	We recommend that Members' failure to register with the ICO as	This has been raised with the Chief Executive and agreed that	Head of Revs, Benefits & IT	1 April 2017	<p>Head of Revs, Bens & IT / ICT Manager</p> <p>23-May-2017</p>	In progress	Carry forward to Sept FAR

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment May 2017	Status of Progress
	Information December 2016	Data Controllers should be escalated to the Council's Chief Executive for resolution.	this will also be on the Political Liaison Board agenda for the January 2017 meeting for Senior Members to consider this point and agree an action.			Members were informed of the Cabinet resolution via both the Members' Information Service and individually. There are now 22 Members registered as a Data Controller. Officers believe that they have done as much as possible to encourage Members to register with the ICO. The Information Communication Technology Manager will contact the two new Members to encourage them to register as a Data Controller following their appointment at Full Council on 18 May 2017. The Information Communication Technology Manager		

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						<p>will continue to encourage those Members who have not registered to register and will check on the ICO's website to see if any Members have registered independently. Original action completed by the due date of 1 April 2017 and the due date has now been extended to 31 August 2017 to monitor further registrations. March 2017 – There are now 15 Members registered as Data Controllers with the ICO's Office. The IT Manager was asked to seek updates from other authorities on how they manage this process in other Hertfordshire</p>		

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment May 2017	Status of Progress
						authorities. The matter will be reviewed again by PLB on 20 March 2017; however, as this poses no real risk to the Council and any breach is the sole responsibility of any Members concerned, Officers do not intend to push this any further than bringing the risks to the attention of PLB on 20 March 2017.		
5.	Area Committee Grants March 2017	To ensure that payment requisitions for grants are authorised correctly (in line with the Authorised Signatory List), the Communities Manager, or an	Recommendation agreed.	Communities Manager	30 April 2017	Communities Manager 11-May-2017 New Authorised Signatory Forms have been authorised and submitted for all Community Officers to have a grant approval/payment	Implemented	Completed – to be removed

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment May 2017	Status of Progress
		alternative officer with the appropriate financial delegation, should approve grant payments over £1,000.				level of £5,000. The Community Officers can prepare payments above that level but the Communities manager would need to authorise them or another Head of Service/officer with a higher authorisation limit.		

NHDC 2017/18 Audit Plan Start Months											
Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
SOCO Fraud Checklist	Office Accommodation Project	Appraisal System	Telephony System Post implementation review	DFG certification	Commercialisation / Council company	NHLC Refurbishment	Payroll	Benefits	Outbound mail system		Waste Contract
Review of FAR	Income Generation	Cyber risks	Northgate Contracts	Integra system implementation		Main Accounting	NDR	Treasury Management	Asset Management system		
Paperless committee system	HTH & Museum operation		Business Improvement Districts	Member Training		Debtors	Council Tax	King George V Playing field			
Careline (16/17)						Creditors	Taxi Licensing				
Hitchin Town Hall Project (16/17)							Tree Strategy & Management				
Consultants (16/17)											
Green Space (16/17)											